Southeast Asia and the Major Powers: The United States, Japan and China

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The development of what has come to be thought of as Southeast Asia has been profoundly shaped by its interaction with other, more powerful, forces from outside the region. Whether this has been the impact of religious traditions from other parts of Asia, the impact of expanding economic relations within Asia itself, or the more recent and revolutionary impact of 'the West' (Beeson 2001a), the contemporary nature of the Southeast Asian region is in large part a consequence of influences from outside the region itself. As earlier chapters in this volume have demonstrated, in the last two hundred years or so European powers, and more recently the United States, have had a major impact on Southeast Asia's development (see McCloud 1995). This pattern of regional susceptibility to external influences and power shows no sign of abating.

This chapter extends the analysis of Southeast Asia's interaction with other regional and global powers developed in other chapters of this volume by considering the countries that have the greatest potential to influence the region's future development: the United States, Japan and China. All of these countries have the capacity – and to varying extents, the desire – to influence the overall regional context in which the individual members of the Association of Southeast Asian Nations (ASEAN) nations are embedded. An examination of Southeast Asia's relations with these three pivotally important regional and – in the case of the US – global powers, not only tells us much about the distinctive nature of individual bilateral relations between the US, China, Japan and the ASEAN membership, but also illuminates the emerging hegemonic contestation for regional leadership amongst the major powers themselves. The analysis proceeds by considering the basis of the relationship between the major powers and the region, before considering what implications major power rivalry may have for Southeast Asia's future development.

The United States and Southeast Asia

The United States is a country like no other. This may be a truism that could be applied to any nation, but it is important to emphasise at the outset that the US occupies a unique, historically unparalleled place in the contemporary international system. In the aftermath of World War II the US emerged as one of only two 'superpowers' with the capacity to influence events in any part of the globe (see Berger, this volume). The subsequent demise of the Soviet Union as a strategic rival, and the apparent exhaustion of central planning as an alternative to free market capitalism, has further reinforced the dominant position of the US (Buzan and Little 1999). In order to understand just how powerful the US is and why it is able to exert such a major influence on the future developmental prospects of the ASEAN states, it is necessary to say something about the nature of American power and its historical role in the region.

The basis of American power

Clearly, the US is the most powerful nation on earth, but what is the basis of its power? Why is it that the US can even influence the behaviour of other, apparently powerful, states like China and Japan, to say nothing of the less influential nations of Southeast Asia? To answer these questions, we need a conceptual framework that will identify the constitutive elements of American power in ways that allow comparison with both potential rivals, and with countries like those of Southeast Asia, which plainly do not always have the capacity to definitively influence events within their own borders, let alone in the international system of which they are a part.

Susan Strange (1988) suggests that there are four key components that determine which countries are powerful in the international system. What she described as 'structural power' stems from control over security, production, credit, and knowledge. At the level of security, or the traditional arena of international rivalry that focuses on military and strategic interaction, the US enjoys an unprecedented dominance over all other nations. Not only does the US spend far more on defence than any other nation at a remarkably small percentage of overall GDP (Brooks and Wohlforth 2002), but its position has been reinforced by the 'revolution in military affairs' (see Dibb 1997-98), in which technological excellence has became an increasingly important component of military superiority (Nye and Owens 1996). But it is not simply the intimidating technical effectiveness of America's military hardware that accounts for its position at the heart of the world's security architecture. On the contrary, in the East Asia in particular, the US presence has been seen by much of the region as pivotal to maintaining a stable balance of power, something that explains the continuing presence of American forces in the region at surprisingly little cost to itself (Tow 2001: 168).

However, recent events have introduced new fault lines within the region and created new points of resistance and opposition to American dominance. At the broader level of the East Asian region, China has expressed the strongest reservations about what it sees as the US's increasingly assertive, unilateral and hegemonic ambitions in the wake of September 11.[1] In Southeast Asia, too, American policy has created major tensions and outright resentment. Most prominent here has been Malaysia which, after a brief rapprochement when it seemed the authoritarian regime was well placed to crack down on Islamic militants, Malaysia has again become the most prominent Southeast Asian critic of American policy. It is also important to note that even those countries that have not been as outspoken or critical about American policy are also struggling to come to terms with its complex strategic and even economic impact (*Asiatimes.com*, March 28, 2003). In Indonesia and the Philippines, American policy has fuelled volatile domestic debates about the status of Islam and about national independence that have made life difficult for indigenous political elites (*Asiatimes.com*, March 27, 2003, see also Fealy, this volume).

As far as the political-economy of production and credit is concerned, America's position is complex, somewhat contradictory, but – absent an unforseen global market meltdown – essentially unassailable. Not only has American economic power generally enjoyed something of a renaissance, especially compared to East Asia, and thus helping to consolidate America's overall influence (Cox 2001; Mastanundo, 2000), but even America's position as the world's largest debtor nation has failed to

undermine its overall economic position. Given the unfavourable attention that has been paid to the indebtedness of countries like Indonesia (Beeson 1998), there is no small irony in the fact that America has been virtually immune to such criticisms – although the massive budget deficits that have emerged as a consequence of the 'war on terror' and tax cuts for America's wealthy may change that and place a fundamental constraint on even American power (*Economist* February 8, 2003). Nevertheless, there is no comparison in the general strength, diversity and scale of the two economies, but to understand why America is able to act in ways that other countries cannot, it is necessary to recognise the central position it plays in the overall, increasingly integrated global economy.

The US's role as the principal architect and economic mainstay of the post-war Bretton Woods order meant that it occupied a unique position in international affairs (Eichengreeen and Kenen 1994). The American dollar was – and to a lesser extent, still is – the world's reserve currency, giving it monetary privileges unavailable to other states.[2] In addition, American markets allowed the countries of East Asia in particular to embark on successful export-led industrialisation, something which, despite the resentment America's expanding Asian trade deficits has caused in parts of the US, has entrenched America's central economic role and overall political influence (Robinson 1996). Finally, America's vision for a new international economic order became the ideological blueprint for an emerging global order. That this vision was incompletely realised in an East Asian region that frequently preferred neo-mercantilist development strategies to the neoliberal orthodoxy championed by the US, should not obscure the fact this final element of Strange's structural power – knowledge – is a crucially important ideational component of America's power and influence that remains at the centre of continuing debates about the most appropriate policy for post-crisis East and Southeast Asia (Ruggie 1997; Cumings 1999; Agnew 2001).

It is important to recognise that America's ability to promote its preferred economic model in Southeast Asia has been enhanced by both the relative economic decline of Japan, and by the growing importance of US investment in East Asia generally and Southeast Asia in particular. As a proportion of the overall foreign direct investment (FDI) in East Asia, American FDI increased everywhere except China and Korea. When added to the Southeast Asian countries general dependence on US markets for the export of electrical goods in particular, the US's structural power and potential leverage over the region has been considerably enhanced (Hsiao et al 2003). The only area that Japan retains a significant advantage over US-based economic entities is in bank lending – but given the negative role played by Japanese banks in the Asian economic crisis, when their own domestic problems were exported to the rest of the region, this is no longer a major advantage (Bevacqua 1998).

It is also noteworthy that the US has moved to reinforce this latent economic advantage through a series of bilateral trade agreements. At one level this reflects a long-standing scepticism on the part of many American policymakers about the merits of multilateral institutions like the Asia Pacific Economic Cooperation (APEC) forum, and its failure to secure trade liberalisation in East Asia (Dent 2003). At another level, however, this new predilection for bilateralism reflects a desire on the part of the US to use its power more directly to open up markets and achieve the sorts of outcomes that provided elusive under APEC. As far as Southeast Asia's collective

regional identity is concerned, the establishment of preferential bilateral trade agreements between the likes of Singapore and the US inevitably undermines the collective identity of Southeast Asia as a coherent actor (Ravenhill 2003).

Taken together, then, America's relatively unchallenged ascendancy or structural power has underpinned its 'hegemonic' position in the Asia-Pacific in particular and in the international system more generally (Agnew and Corbridge 1995). America's unique position at the centre of the post-war international order means that it has the capacity to influence the position of not just the countries of Southeast Asia, but of the other major powers of the region as well. This interplay - both bilaterally between the US and the ASEAN countries, and between the US, Japan and China – has been and will continue to be a significant determinant of development in Southeast Asia (Beeson and Berger 2003).

The impact and objectives of American power in Southeast Asia

Initially, as Mark Berger's chapter in this volume reminds us, America's principle interest in Southeast Asia was strategic. The bi-polar contest with the Soviet Union that characterised the Cold War era occurred at a number of levels – economic, ideological, and military – and had the effect of fracturing the larger East Asian region. Even where Cold War contestation was ultimately instrumental in encouraging the development of the ASEAN organisation and consequently enhancing regional cooperation, it occurred within the overarching framework of bilateral alliances between the US and its allies in the region (Cummings 1997). In other words, American power has had a complex, simultaneously integrative and disintegrative impact on the region. While the Cold War persisted a number of Southeast Asian nations, especially Thailand, Singapore and Malaysia either directly or indirectly benefited from the increased aid and investment flows that resulted from the wars in Korea and Vietnam (Stubbs 1999). Indeed, it should also be emphasised that Japan was seen as the lynchpin of the emergent capitalist order in East Asia and urged to play a more expansive economic role in Southeast Asia as a consequence. For those parts of Southeast Asia fortunate enough to be not directly or indirectly in conflict with the US, the Cold War generally and the Vietnam War in particular were no bad thing. For Vietnam and Indochina, the experience was immediately devastating and added immeasurably to their respective longer-term developmental problems.

In the aftermath of the Cold War, with the prospects of international conflict involving the major powers looking remote, and with a generalised and seemingly sustainable, shift from the geo-strategic to the geo-economic (Luttwak 1990), the region's prospects looked bright. However, the potential implications of a concomitant change in the foreign policy priorities of the world's only super-power were clearly revealed in the management and aftermath of the East Asian crisis that began in 1997, and which had an especially severe impact on Southeast Asia (Winters 2000; Haggard 2000) The US played a prominent role in attempts to manage the crisis, exploiting its institutional influence over, and links with, key agencies like the International Monetary Fund (IMF) and the World Bank (Wade 2001). In this manner it was able to exploit the opportunities the crisis offered to try and break open hitherto relatively closed Asian markets and attempt to systematically reconstitute the political economies of countries like Indonesia and Thailand in ways that suited its normative

preferences and economic interests. Such efforts may not have been entirely successful - even counterproductive, perhaps – having generated a good deal of resentment at the local level (Hewison 2001), and even producing a retrospective acknowledgement by the IMF that it may have made things worse (Fischer 2001).

Nevertheless, the US's role in the crisis and its aftermath served as a graphic reminder of the disparities of power that exist between the region and America, and the latter's continuing importance at a number of levels. A subsequent downturn in the US economy demonstrated Southeast Asia's continuing structural dependence on, and vulnerability to, changes in North American markets; even economically sophisticated Singapore was plunged into recession (Beeson 2001a). The continuing vulnerability of Southeast Asia to wider shifts in American sentiments was further highlighted by a crisis of a different sort as the tragic events of 'September 11th' demonstrated that the US retained the capacity to shape events in the region across the region at a number of levels. The US's insistence that other nations must declare themselves for or against its self-declared 'war on terrorism' meant that the less powerful states of the region had little choice but to accommodate US preferences or risk retribution. Once again, however, the spectre of conflict, albeit generally low-level or potential, generated a complex mix of costs and benefits across the region. As noted earlier, Malaysia – initially at least – was able to rebuild relations with the US by positioning itself as a bulwark against radical Islam, although this relationship has subsequently deteriorated and Mahathir has assumed his customary role as a key critic of the US in particular and 'the West' more generally (*Australian Financial Review* March 25, 2003). Although the Philippines obtained direct economic and military assistance in its perennial struggle with insurrectionary movements it has been at the cost of fermenting divisive domestic debates about relations with the US. The position of Indonesia's political elites is even more problematic: because it is seen as providing a supportive environment for international terrorism, it has come under pressure from the US to clamp down on more radical elements of its substantially Muslim population – something that has further fuelled anti-Americanism in much of Indonesia (*Australian Financial Review* April 2, 2003).

The general point to emphasise about American power in the context of Southeast Asia is that it has resources available to it at the strategic, economic, and institutional levels that allow it to pursue its interests in ways that other countries cannot. This is not to suggest that the US always has a clear, coherent and enduring notion of precisely what its 'national interests' are. On the contrary, American foreign policy is the product of multiple influences and demonstrates revealing differences and conflicts across various issues areas (Trubowitz 1998). However, and despite these important caveats, the US remains a much more effective and powerful international actor than either of its potential hegemonic rivals in East Asia.

Japan and Southeast Asia

The fact that Japan is both the world's second largest economy and an actual part of the larger East Asian region should mean it is perfectly placed to exert a powerful influence on regional affairs generally and over its smaller Southeast Asian neighbours in particular. While its sheer economic weight has meant that Japan has inevitably influenced what is becoming an increasingly integrated regional economy, it has demonstrated nothing like the same capacity or willingness to exercise a similar

influence in the political realm. For all its potential advantages and importance, Japan has only been able to exercise what I have described elsewhere as a form of 'quasi-hegemony' (Beeson 2001b). To see why, and to understand the implications that flow from this for the region more generally, we need to explore the distinctive historical forces that have shaped Japan's regional presence.

Japan's regional role in context

There is no doubt that Japan has had a major impact on Southeast Asia. Whether this has been positive or negative is a more contentious issue. One of the keys to unravelling Japan's often-contradictory relationship with the region is to place it in historical context. In this regard one of the most important periods in shaping not only Japan's relationship with Southeast Asia, but also its relationship with the US, was the period leading up to and including World War II.

A number of major consequences of Japan's war-time experiences, which have in large part determined its post-war foreign policies, merit particular emphasis. First, Japan's wartime expansion into parts of East and Southeast Asia may have been frequently brutal and traumatic, but it did play a crucial part in destroying the myth of European superiority, and hastening the actual withdrawal of the European powers as a consequence (Yahuda 1996). Moreover, Japan's occupation of Southeast Asia accelerated the independence process in countries like Indonesia, the Philippines and Vietnam, and established the idea that Asian powers could not only assume a more prominent and successful place on the world stage, but might also unite together as Asians. For all the self-serving rhetoric that accompanied Japan's proposed 'Asian Co-Prosperity Sphere', it did mark the beginnings of the sort of pan-Asianism that continues to play a part in contemporary political practices across the region.

A second major consequence of Japan's wartime activities flowed from its military defeat by the US, something that subsequently influenced the style and objectives of Japanese foreign and economic policy. The repudiation of military adventurism, combined with the US's direct role in constructing Japan's new post-war 'peace constitution', has had the effect of making Japan a negligible military force in post-war East Asia. This is not to suggest that Japan does not now have a formidable military capacity by the standards of the region. On the contrary, it does (Pyle 1998). But for all its military potential, Japan has shown a remarkable lack of enthusiasm about actually utilising it, other than in a 'self defence' capacity. Japan's continuing strategic reliance on, not to say subordination to the US, has simultaneously eliminated a potentially crucial component of Japanese hegemony whilst reinforcing America's. Significantly, and despite widespread opposition, the Japanese government has offered broad support for American policy (*Asiatimes.com*, March 29, 2003), a policy that inevitably constrains Japan's potential for independent regional leadership.

Such a policy has not been without its advantages, however. The third major effect of Japan's low military and foreign policy profile has been a systematic privileging of economic development. Japan's relentless post-war economic reconstruction and expansion, its initial preoccupation with domestic development, and its consistently mercantilist approach to international economic relations, marked it out as a new sort of 'trading state' (Rosecrance 1986; Heginbotham and Samuels 1998). The

remarkable success of this strategy, and the apparent efficacy of the collaborative relations between government and business that underpinned it, gave Japan a certain cachet as an exemplar of successful industrialisation and development within Asia. While the same degree of autonomous state capacity that characterised Japan's development may not have been generally present in Southeast Asia, a number of countries attempted to adopt aspects of the Japanese model in an effort to reproduce the Japan's rapid industrialisation.[3]

Japan's contemporary relations with the region

While Japan's contemporary economic problems may have undermined both its primacy as a potential economic role model and its actual importance as a regional economic actor, it is important to recognise that for much of the post-war period Japan was the cornerstone of regional economic development and integration. Japan's economic relations with Southeast Asia have deepened and become more extensive, mirroring Japan's own economic development. As the Japanese economy expanded and became more sophisticated, a three way trade developed between Japan, Southeast Asia and the US, in which Japan played a crucial intermediary role, initially (until the mid 1960s) as an importer of industrial goods from the US, and as an exporter of simple manufactures to Southeast Asia. Subsequently, as economic development in Japan gathered pace, it became a crucial source of investment capital for much of Southeast Asia as the countries of the region sought to accelerate their own industrialisation processes. This mutually beneficial relationship was encouraged by the Japanese government, which wanted export labour intensive industries and upgrade Japan's domestic industrial base. Following the Plaza Accord in 1985, which saw a major appreciation in the value of the yen, and the subsequent development of Japan's 'bubble economy' in the late 1980s, a massive new wave of Japanese investment in the region occurred which entrenched Japan's position at the centre of an emergent regional production structure (Beeson 2001b; Gangopadhyay 1998).

A couple of important caveats should be added to this seemingly benign picture of a mutually beneficial symbiosis between Japan and Southeast Asia, however. First, Japanese corporations and their subsidiaries have generally been the principal target of Japanese government assistance designed to promote the regional expansion of Japanese business. The complex packages of assistance and foreign aid packages offered by the Japanese government have not only primarily benefited Japanese business (Arase 1994), but they have also had the effect of locking other countries into subordinate positions in region-wide production networks (Hatch and Yamamura 1996). These sorts of initiatives are, despite Japan's own economic difficulties, still in place and remain part of Japan's longer-term efforts to integrate itself into the region through the provision of technical assistance and the promotion of the 'Japanese way' of doing business (Hook 2002: 28). However, and this is the second point to make, Japanese companies have traditionally been loathe to transfer technology to other countries, making it difficult for other regional economies to follow in Japan's footsteps (Bernard and Ravenhill 1995). And yet the very nature of contemporary production processes, especially in the electronics industries, appears to be forcing Japanese companies to open up their production structures and transfer technology in response to the more competitive strategies of their American rivals (Ernst 2000).

Despite the decline in the competitive position of both the Japanese economy and of a number of Japanese corporations (Porter et al 2000; Katz 1998), Japan's accumulated economic weight means that it will continue to play a key role in the region. Indeed, the possibility exists that Japan could actually play a major leadership role in the emergent regional political architecture that has gained pace and prominence in the wake of the Asian crisis. Although Japan has often found it difficult to develop an independent, coherent and consistent foreign policy, in the aftermath of the crisis Japan was at the forefront of proposals to develop regionally based financial mechanisms to manage any future crises. While Japan's proposal for an Asian Monetary Fund and the so-called Miyazawa Initiative failed to develop much momentum in the face of initial US hostility, the subsequent Chiang Mai Initiative, which agreed to form a network of currency swap arrangements as part of the larger ASEAN + 3 grouping, indicates that there is still life in the general project of regional financial integration and that Japan continues to play a prominent role in promoting it (see Stubbs, this volume; Kawai et al, 2001: 46).

It remains to be seen, of course, just how far the ASEAN + 3 initiative will develop, and just how successfully it can overcome lingering animosities between Japan and Southeast Asia, and - even more pointedly - between Japan and China. However, the basis for greater financial integration exists, and in the wake of the devastating impact of the crisis and the intrusive role played by the US and the IMF, there is a significant amount of political support for such an initiative. Significantly, in the three way contest for regional influence between the US, Japan and China, both of the latter could benefit from being 'insiders' at a moment of institutional consolidation within the larger East Asian region, which is occurring, suggests one observer, 'in opposition to the West in general and the US in particular' (Webber 2001: 364). As we shall see, even China has become a less threatening force as a consequence of recent events and the continuing reconfiguration of regional relations.

China and Southeast Asia

Like Japan, China looms large in the thinking of Southeast Asian policymakers. Unlike Japan, however, China's relationship with the region has been further complicated by ideological and strategic concerns that have made it, especially during the Cold War period, a more direct threat to the ASEAN nations in particular. Yet somewhat paradoxically, even after the Cold War, when China is actively seeking to integrate itself into an increasingly global capitalist economy, the 'China threat' has not entirely diminished; concerns about China's long-term hegemonic ambitions in the region have, to some extent, given way to a more immediate concerns about its potential as an economic rival to a Southeast Asian region still coming to terms with the aftermath of economic crisis. Again, making sense of these contradictory pressures necessitates placing China's relations with the region in historical context.

The China threat in context

All three of the major powers' relations have been shaped by historical forces, but in China's case, the legacy of history is a palpable, often self-consciously invoked influence on contemporary behaviour. Whether it is the humiliating and traumatic impact that nineteenth century European expansion had on China, or the difficulty of reconciling its more recent communist traditions with the demands of an increasingly

pervasive market capitalism, China's leaders are constrained by complex, intersecting ideological and nationalistic imperatives that have few parallels elsewhere (Wong 1997). From the perspective of China's relations with the wider world generally and Southeast Asia in particular, what is of most significance is that until the end of the Cold War China was preoccupied with internal development and relations with the two superpowers -the US and the Soviet Union. It is only since the end of the Cold War that China has begun to develop a distinctive regional policy.

Part of China's introspection can be explained by its pivotal position in Asia before European colonisation. As Yahuda (1996: 188) argues, China's position as East Asia's key continental power allowed it to dominate the region with scant concern for developments elsewhere; only now is it reorienting itself toward the maritime Asia-Pacific region. China's tempestuous twentieth century history, replete as it was with civil war, Japanese invasion, and the Cold War – to say nothing of the formidable challenge of national reconstruction - did little to encourage the development of cordial relations with its neighbours. The prospects for such relations were rendered even more remote by the actions of the US and its desire to 'contain' China following its 'loss' to communism (Zhao 1998). As far as the countries of Southeast Asia were concerned the three way competition between the US, the Soviet Union and an increasingly powerful China, was a spur to greater cooperation amongst themselves. The ASEAN organisation emerged as a direct consequence of inter-state competition amongst the major powers, and represented an attempt to increase the leverage and influence of the smaller states. As far as China in particular was concerned, its position as a potential threat and source of instability was reinforced by the presence of substantial numbers of ethnic Chinese throughout Southeast Asia, something that caused much anxiety in Malaysia and Indonesia in particular (Acharya 2001).[4]

The fact that China remains – nominally, at least – a 'communist' country is not as significant as it once was. Indeed, the idea that communism was a unified, homogeneous entity bent on a single path of development had been undermined by the Sino-Soviet split, which developed through the late 1950s and early 1960s (Knight 2000). China's subsequent rapprochement with the US in 1972 consolidated China's rehabilitation into the wider international community. Although US policy has subsequently vacillated between containment and engagement (Shambaugh 1996), this should not obscure the realty that not only has China steadily become a more important and active player in regional affairs, but its integration into an increasingly densely connected regional political-economy is having some influence on the way China's political elites conduct relations with the rest of the world (Yahuda 1997). The extent, significance, and relevance of this possible change in specific issue areas is, however, more contentious.

China's interaction with Southeast Asia

Much has been made of China's re-emergence as a major power in East Asia and of the implications this may have for the regional balance of power generally and for relations with the US in particular (Goldstein 1997/98). Despite the fact that some observers have rightly pointed to the limitations of Chinese economic and military power (Segal 1999) – especially compared to the US – there is no doubt that over the course of the twenty-first century China will become an increasingly influential actor

in the region at a number of levels. As far as Southeast Asia is concerned this has major economic and strategic implications.

The fact that China is generally seen as a 'non-status quo power', unhappy with the current distribution of power in the region, and intent on rectifying what it views as non-negotiable issues that are central to its national identity and domestic politics makes it a major source of concern for Southeast Asia (but see Johnson 2003). While the future status of Taiwan may be the most obvious issue in this regard,[5] China's claims to the Spratly and Paracel Islands are a continuing source of tension with Southeast Asian states generally and for the other regional claimants Malaysia, Vietnam, Brunei and the Philippines in particular. Part of the ASEAN Regional Forum's (ARF) agenda, which the ASEAN states have had a prominent role in formulating, has plainly been to encourage China to pursue its interests through multilateral rather than bilateral mechanisms (Simon 1996; Bellamy, this volume). Although this strategy has not yielded dramatic results thus far, such activities, especially when combined with more traditional balance of power calculations and China's desire to improve its regional standing at the expense of the US, are having some effect. Chinese strategic analysts view a stronger ASEAN grouping as a potentially important counter-weight to US hegemony (Wang 1998: 66), something that has seen China make significant efforts to improve relations with ASEAN, including proposals for a Code of Conduct with which to manage competing territorial claims in the South China Sea (Thayer 2001). Significantly, China is becoming a much more active player in regional security initiatives, and has exploited unease about the 'war on terror' in the region to promote a 'New Security Conference' to enhance peace and stability amongst the ARF's Asian members (see Breckon 2003: 75).

Although the security dimension of China's relations with the region invariably attracts the most attention, China's economic relationship with Southeast Asia – especially in the context of the continuing absence of major international conflict in the region – will become an increasingly urgent area of concern for regional policymakers. Again, the issues are complex and contradictory. The good news for Southeast Asia is that China's own increased integration into the world economy, epitomised by its entry into the World Trade Organisation, is binding China more closely into a multilaterally organised, rules-based international economic system that effectively constrains its behaviour.[6] More immediately, China's direct economic links with Southeast Asia are expanding as the region – the crisis notwithstanding – partly as a consequence of its economically powerful ethnic Chinese populations. As such ASEAN is seen as a long-term potential source of capital investment in China and a major export market (Wang 1998).

While the ASEAN states may draw some comfort from the idea that China's continuing economic growth and internationalisation may help to modify its behaviour in ways that make it a less threatening security presence in the region, it remains a major economic challenge. The sheer size of the Chinese economy, its capacity to compete in precisely the same markets with products that are produced even more cheaply, and – most crucially of all, perhaps – the fact that China has attracted an increasingly large proportion of foreign investment flows into the East Asian region, make it a formidable long-term competitor for the Southeast Asian economies (*The Economist* August 25, 2001). It is estimated that China's proposal to

establish a free trade area with the ASEAN states might further increase ASEAN exports to China by around 15% - but it might also boost Chinese exports to ASEAN by over 50% (*Asia Times On-Line*, November 8, 2001). Clearly, China's sheer size – like Japan before it – make it a neighbour that ASEAN will find it difficult to come to terms with. And yet despite these competitive tensions, China has made itself an increasingly important part of the region's economic and political architecture. China's decision not to devalue its own currency at the height of the Asian crisis – an action that would have placed even greater pressure on the currencies and competitive position of the floundering Asian economies – was deeply appreciated in Southeast Asia and helped to consolidate its emergent status as a pivotal and responsible regional actor at the expense of the ineffectual Japanese and the intrusive Americans.

In short, China is displaying an increasingly sophisticated 'grand strategy' that has a growing multilateral component, and which opens up a complex array of threats and opportunities for the countries of Southeast Asia (see Goldstein 2001). Both the evolution of China's foreign policy and the capacity for the Southeast Asian states to respond effectively to it will depend not just on the bilateral relations between China and the regional states, but on the complex interplay between them and the other major powers.

Southeast Asia and Major Power Contestation

The Southeast Asian nations, even acting collectively under the aegis of ASEAN, cannot definitively shape the region of which they are a part. At best they can seek to influence the major powers in ways that further their interests. The key questions for the Southeast Asian nations, therefore, are: which of the three major powers is likely to exert the greatest influence in the region? Will the capacity of even the major powers vary across issue areas? Will intra-regional initiatives and developments significantly influence the way both major competitions unfold? How might such developments impact on the less powerful states of Southeast Asia?

The first point to make when assessing the relative influence of the US, China and Japan on the larger East Asian region in which the ASEAN states are embedded, is that the US remains the only country with hegemonic pretensions and an effective capacity across the entire spectrum of structural power. Indeed, so dominant has the US position become that it has been characterised as 'unipolar' (Wohlforth 1999), a situation that is unlikely to change in the foreseeable future, according to some commentators (Zuckerman 1998). While there may be a degree of wishful thinking, not to say triumphalism, in some of these observations, the likelihood that effective 'balancing' in opposition to American hegemony will occur in East Asia is rendered less likely by the continuing lingering animosities and suspicions that exist between the US's only plausible regional rivals, China and Japan (Bobrow 1999).[7] And yet such rivalries should not be overstated: historically the East Asian region has been characterised by an acceptance of hierarchical relations centred on China which engendered a striking degree of stability. As David Kang (2003) points out, therefore, we cannot assume either that the East Asian experience will replicate Europe's, or that the region will descend into chaos in the unlikely event of an American withdrawal.

That China in particular is concerned about America's hegemonic presence in the region is hardly in doubt. And yet given its own comparative lack of strategic,

economic and - perhaps most significantly – ideational or 'soft power', China plainly cannot compete with America directly for regional influence (Sheng Lijun 1999). From the perspective of the Southeast Asia, however, there are potential benefits to be gleaned from China's increasing willingness to use multilateral channels to cultivate influence (Goldstein 2001). Not only does such a stance on China's part open up potential opportunities to play off an aspirant hegemon against an existing one, but it helps reduce China's significance as a military menace. Similarly, the ASEAN states may benefit from the continuing rivalry that exists between China and Japan. It was significant that Japanese Prime Minister Junchiro Koizumi's tour of the ASEAN region in early 2002, was widely seen as an effort to re-establish Japan's position in the face of China's free trade initiative and increasingly effective regional diplomacy (*Financial Times*, January 14, 2002).

But there are a number of increasingly important constraints on Japan's capacity to assert itself in the region. Japan's former strength and greatest claim to regional influence – its economy – has become its most debilitating long-term problem. Not only is Japan's economy now often an object of ridicule rather than admiration, but the capacity of the Japanese government to garner influence because of its economic presence in the region has been reduced as investment and foreign aid have been wound back (*Asia Times On-Line*, January 23rd, 2002). When coupled with Japan's widely noted inability to play a decisive foreign policy role in keeping with its economic status, and its immediate, 'unconditional support' for American leadership in the aftermath of the terrorist attack on the US (*Asia Times On-Line*, October 30, 2001), the prospects for an era of Japanese hegemonic influence appear remote indeed.

With Japan hamstrung by an under-performing economy, a somewhat discredited bureaucracy, and a continuing failure of political leadership, and with China effectively well down the 'capitalist road' and rapidly integrating itself into an international order dominated by the US, it might be supposed that the political and economic landscape upon which the ASEAN states must operate is clear: Southeast Asia has little choice other than to accommodate itself to the realities of an international order predicted on continuing American primacy - with all that implies. But the path of future development in either North or Southeast Asia is neither obvious nor inevitable. Deep-seated, socially embedded and institutionalised constraints will ensure that whatever course regional development takes it will be powerfully shaped by the legacy of the past (Beeson 2002b). Moreover, there are many across the broader East Asian region who remain unenthusiastic about the wholesale adoption of liberal markets or political practices. ASEAN's important role in promoting the development of *regionally* based, exclusively Asian mechanisms with which to manage intra-regional relations is a potentially important indicator of future trends (see Beeson 2003). As such, it reminds us that even less powerful states retain the capacity to influence the development of the international system of which they are a part. In an East Asian region divided intra-regional major power rivalries, and a degree of ambivalence towards the only remaining extra-regional superpower, such opportunities continue to exist for those with the wit to embrace them.

Endnotes

[1] Criticism of American policy has been widespread but China has been especially prominent in its criticism. See *New York Times*, March 27, 2003.
[2] 'Seigniorage' refers to the privileges that accrue from the expanded international use of a particular currency, something that allows the US to 'live beyond its means'. For a more detailed explanation, see Cohen (1998: 123-25).
[3] It is important to note that Japan has provided an important role model for a number of Southeast Asian countries, especially Malaysia's 'Look East' policy. See Jomo (1994); Amsden (1995).
[4] There is some debate in the literature about how useful a categorisation the term 'overseas Chinese' actually is, but at the very least it alerts us to another possible layer of complexity in intra-regional relations. See Dirlik (1997); Wai-chung Yeung (2000).
[5] Southeast Asia's relations with China are further complicated by the fact that Taiwan is a more significant source of trade and investment that China is far as the region is concerned – something that has come about partly as a result of a deliberate attempt by Taiwanese authorities to increase ties with Southeast Asia. See Ho (2001).
[6] It should be noted that 'globalisation' is causing major internal debates about the course of reform in China itself. Significantly, however, the pro-globalisation forces are in the ascendancy, despite the revolutionary implications that economic internationalisation and WTO membership have for China's domestic political economy. See Garrett (2001).
[7] It should be noted that possible 'balancing' behaviour has become more likely as a consequence of the increasingly unilateral nature of American foreign policy. See *The Australian*, March 13, 2003.

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